

CITY OF WOODBINE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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City of Woodbine

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Gau	Mayor	January 2016
Noel Sherer	Council Member	Resigned November 2014
Matt Leaders	Council Member	January 2016 (Appointed December 2014)
Randy Vandemark	Council Member	January 2016
Merne Hammitt	Council Member	January 2018
John Kerger	Council Member	January 2018
Jeffrey Killpack	Council Member	January 2018
Kelly Hasner	City Administrator	Indefinite
Lois Surber	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite

City of Woodbine



Diane McGrain, CPA
Jim Menard, CPA

December 2, 2015

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued...

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements do not include financial data for one of the City's legally separate component units because the Woodbine Municipal Light & Power reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts by which the departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units have not been determined.

Adverse Opinion

In our opinion, based on our audit and the report of the other auditors, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units* paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Woodbine as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2015 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Continued.....

Emphasis of Matter

As disclosed in Note 5 to the financial statements, City of Woodbine adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Woodbine's basic financial statements. The supplementary information included in Schedule 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions on pages 8 through 13, and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015 on our consideration of the City of Woodbine's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Woodbine's internal control over financial reporting and compliance.

Schroeder & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Woodbine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$1,398,000. Property taxes were approximately \$624,000, and operating grants were approximately \$246,000.
- Disbursements were approximately \$1,434,000. Public safety and public works were approximately \$464,000 and \$370,000, respectively.
- The City's total cash basis net assets increased 6.0%, or approximately \$165,000 from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities decreased approximately \$36,000, and the net position of the business type activities increased approximately \$201,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate Share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and gas funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from approximately \$1,427,000 to approximately \$1,391,000. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30, 2015	Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for service	\$ 199	\$ 134
Operating grants, contributions and restricted interest	246	248
Capital grants, contributions and restricted interest	3	3
General receipts:		
Property tax	624	658
Tax increment financing collections	186	181
Local option sales tax	90	88
Grants and contributions not restricted to specific purposes	2	1
Unrestricted interest on investments	1	1
Miscellaneous	4	-
Note proceeds	43	-
Total receipts	<u>1,398</u>	<u>1,314</u>
Disbursements:		
Public safety	464	343
Public works	370	415
Culture and recreation	161	175
Community and economic development	81	112
General government	189	207
Debt service	169	165
Total disbursements	<u>1,434</u>	<u>1,417</u>
Change in cash basis net position	(36)	(103)
Cash basis net position beginning of year	<u>1,427</u>	<u>1,530</u>
Cash basis net position end of year	<u>\$ 1,391</u>	<u>1,427</u>

The City's total receipts for governmental activities were approximately \$1,398,000.

The cost of all governmental activities this year was \$1,434,752. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$986,746 because some of the cost was paid by those directly benefited from the programs (\$199,080) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling (\$248,926). The City paid the remaining "public benefit" portion of governmental activities with approximately \$950,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30, 2015	Year Ended June 30, 2014
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 191	\$ 203
Sewer	102	107
Gas	606	807
General receipts:		
Unrestricted interest on investments	2	1
Miscellaneous	40	51
Total receipts	<u>941</u>	<u>1,169</u>
Disbursements:		
Water	173	123
Sewer	49	63
Gas	518	710
Total disbursements	<u>740</u>	<u>896</u>
Change in cash basis net position	201	273
Cash basis net position beginning of year	<u>1,314</u>	<u>1,041</u>
Cash basis net position end of year	<u>\$ 1,515</u>	<u>\$ 1,314</u>

Total business type activities receipts for the fiscal year were approximately \$941,000. The cash balance increased by approximately \$201,000 from the prior year. Total disbursements were approximately \$740,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,390,850, a decrease of \$36,453 from last year's balance of \$1,427,303. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$33,858 from the prior year to \$5,453. The increase was primarily due to austere budgeting, closely monitored operations and two internal transfers from the TIF fund to repay the General fund for old project debt.
- The Road Use Tax Fund cash balance increased by \$16,710 to \$30,138 due to less transfers of monies to the General Fund for road projects.
- The Urban Renewal Tax Increment Fund cash balance decreased \$36,682 to \$184,358 due to the payment of an interfund loan.
- The Woodbine Fire and Rescue Fund decreased \$62,127 to \$29,009 due to a transfer to the General Fund.
- The Debt Service Fund cash balance increased by \$1,977 from the prior year to \$23,174.
- The Capital Projects Fund increased \$2,761 from the prior year to \$1,103,733 due to the collection of interest on bond proceeds received in a prior year and not yet spent for a street construction project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$19,008 to \$461,461 due to receipts exceeding disbursements.
- The Sewer Fund cash balance increased by \$62,903 to \$275,541 due to receipts exceeding disbursements.
- The Gas Fund cash balance increased by \$119,471 to \$778,282 due to receipts exceeding disbursements.

BUDGETARY HIGHLIGHTS

Receipts were approximately \$270,000 more than budgeted due to additional monies received for tax increment financing collections and charges for services. Disbursements were approximately \$214,000 less than budgeted.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$1,428,000 in general obligation debt compared to approximately \$1,538,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2015	2014
General obligation bonds and notes	\$ 1,385	\$ 1,530
Lease purchase	-	8
Note payable	43	-
	<u>\$ 1,428</u>	<u>\$ 1,538</u>

The City's outstanding general obligation debt of \$1,428,000 is below its constitutional debt limit of \$3,200,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees charged for various City activities. These include the following:

- a. Ongoing infrastructure – For FY 2016 the City has undertaken with the help of state aid and a local general obligation bond, the reconstruction of the west Bus Brown Bridge and resurfacing nearby Panora Ave and adjacent roadways. Also, paid via an internal loan the then repaid through TIF, the City has contracted for new Park Circle roadway/sidewalk/parking. The City is in the midst of compiling a comprehensive master plan addressing in part infrastructure deterioration. The City has incurred/will continue to incur significant expenses addressing miscellaneous out of the ordinary water well field upgrades and maintenance.
- b. Water meter replacement program – The City is undertaking a multi-year plan to replace or upgrade all aged water meters. The intent is to budget approximately \$10,000 per year for five years. However budgeted for FY 2016 are two back-up generators. One for the well field pump house and another for a booster station for a total of approximately

\$50,000. An estimated \$22,000 is planned to be spent on water relay system technology upgrades.

- c. Street improvements – The City's mill and overlay program is a prioritized multi-year plan to resurface City roadways. As work began the road was far too deteriorated and required additional work; as a result only 4 blocks of mill and overlay were done at the beginning of FY 2016. This work will continue for several years into the future.
- d. Façade master plan project/downtown streetscape improvements – The City recently purchased for \$10,000 four small parcels of railroad property running adjacent to the City's downtown corridor. Three of the four parcels are small parks to provide a relaxing and healthy environment for citizens and help promote downtown walk-ability. The future intent is to collaborate with other agencies and upgrade the downtown street lighting.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kelly Hasner, City Administrator, 517 Walker, Woodbine, Iowa.

City of Woodbine
Basic Financial Statements

City of Woodbine
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

		Program Receipts			Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
	Disbursements	Charges for Service	Interest	Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 464,268	125,670	43,965	-	(294,633)	-	(294,633)
Public works	370,505	53,464	151,710	-	(165,331)	-	(165,331)
Culture and recreation	160,991	16,346	13,076	-	(131,569)	-	(131,569)
Community and economic development	80,706	-	-	-	(80,706)	-	(80,706)
General government	188,910	3,600	37,414	-	(147,896)	-	(147,896)
Debt service	169,372	-	-	-	(169,372)	-	(169,372)
Capital projects	-	-	-	2,761	2,761	-	2,761
Total governmental activities	1,434,752	199,080	246,165	2,761	(986,746)	-	(986,746)
Business type activities:							
Water	173,004	190,960	-	-	-	17,956	17,956
Sewer	49,084	102,316	-	-	-	53,232	53,232
Gas	518,015	606,103	-	-	-	88,088	88,088
Total business type activities	740,103	899,379	-	-	-	159,276	159,276
	<u>\$ 2,174,855</u>	<u>1,098,459</u>	<u>246,165</u>	<u>2,761</u>	<u>(986,746)</u>	<u>159,276</u>	<u>(827,470)</u>
General Receipts:							
Property and other tax levied for:							
General purposes					452,501	-	452,501
Debt service					171,349	-	171,349
Tax increment financing collections					186,087	-	186,087
Local option sales tax					90,478	-	90,478
Grants and contributions not restricted to specific purpose					1,732	-	1,732
Unrestricted interest on investments					1,173	1,725	2,898
Miscellaneous					3,703	40,381	44,084
Note proceeds					43,270	-	43,270
Total general receipts and transfers					950,293	42,106	992,399
Change in cash basis net position					(36,453)	201,382	164,929
Cash basis net position beginning of year					1,427,303	1,313,902	2,741,205
Cash basis net position end of year					<u>\$ 1,390,850</u>	<u>1,515,284</u>	<u>2,906,134</u>
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					30,138	-	30,138
Urban renewal purposes					184,358	-	184,358
Fire and rescue					29,009	-	29,009
Debt service					23,174	-	23,174
Capital projects					1,103,733	-	1,103,733
Other purposes					14,985	-	14,985
Unrestricted					5,453	1,515,284	1,520,737
Total cash basis net position					<u>\$ 1,390,850</u>	<u>1,515,284</u>	<u>2,906,134</u>

See notes to financial statements

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue						Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Urban Renewal Tax Increment	Woodbine Fire and Rescue	Debt Service	Capital Projects		
Receipts								
Property tax	\$ 365,326	-	-	-	171,349	-	81,572	618,247
Tax increment financing collections	-	-	186,087	-	-	-	-	186,087
Other city tax	5,603	-	-	-	-	-	90,478	96,081
Licenses and permits	3,300	-	-	-	-	-	-	3,300
Use of money and property	1,510	-	-	106	-	2,761	-	4,377
Intergovernmental	11,077	151,710	-	26,339	-	-	-	189,126
Charges for service	62,274	-	-	121,541	-	-	-	183,815
Miscellaneous	52,773	-	-	17,520	-	-	-	70,293
Total receipts	501,863	151,710	186,087	165,506	171,349	2,761	172,050	1,351,326
Disbursements								
Operating:								
Public safety	333,365	-	-	130,903	-	-	-	464,268
Public works	370,505	-	-	-	-	-	-	370,505
Culture and recreation	160,991	-	-	-	-	-	-	160,991
Community and economic development	22,189	-	58,517	-	-	-	-	80,706
General government	188,910	-	-	-	-	-	-	188,910
Debt service	-	-	-	-	169,372	-	-	169,372
Total disbursements	1,075,960	-	58,517	130,903	169,372	-	-	1,434,752
Excess (deficiency) of receipts over (under) disbursements	(574,097)	151,710	127,570	34,603	1,977	2,761	172,050	(83,426)
Other financing sources (uses):								
Sale of general fixed assets	3,703	-	-	-	-	-	-	3,703
Note proceeds	-	-	-	43,270	-	-	-	43,270
Operating transfers in	604,252	-	-	-	-	-	-	604,252
Operating transfers out	-	(135,000)	(164,252)	(140,000)	-	-	(165,000)	(604,252)
Total other financing other financing sources (uses)	607,955	(135,000)	(164,252)	(96,730)	-	-	(165,000)	46,973
Net change in cash balances	33,858	16,710	(36,682)	(62,127)	1,977	2,761	7,050	(36,453)
Cash balances beginning of year	(28,405)	13,428	221,040	91,136	21,197	1,100,972	7,935	1,427,303
Cash balances end of year	\$ 5,453	30,138	184,358	29,009	23,174	1,103,733	14,985	1,390,850
Cash Basis Fund Balances								
Restricted for:								
Streets	-	30,138	-	-	-	-	-	30,138
Urban renewal purposes	-	-	184,358	-	-	-	-	184,358
Fire and rescue	-	-	-	29,009	-	-	-	29,009
Debt service	-	-	-	-	23,174	-	-	23,174
Capital projects	-	-	-	-	-	1,103,733	-	1,103,733
Other purposes	-	-	-	-	-	-	14,985	14,985
Unassigned	5,453	-	-	-	-	-	-	5,453
Total cash basis fund balances	\$ 5,453	30,138	184,358	29,009	23,174	1,103,733	14,985	1,390,850

See notes to financial statements

City of Woodbine
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 190,960	102,316	606,103	899,379
Operating disbursements:				
Business type activities	<u>173,004</u>	<u>49,084</u>	<u>518,015</u>	<u>740,103</u>
Excess of operating receipts over operating disbursements	17,956	53,232	88,088	159,276
Non-operating receipts				
Interest on investments	7	7	1,711	1,725
Rent	-	5,050	-	5,050
Miscellaneous	<u>1,045</u>	<u>4,614</u>	<u>29,672</u>	<u>35,331</u>
Total non-operating receipts	<u>1,052</u>	<u>9,671</u>	<u>31,383</u>	<u>42,106</u>
Net change in cash balances	19,008	62,903	119,471	201,382
Cash balances beginning of year	<u>442,453</u>	<u>212,638</u>	<u>658,811</u>	<u>1,313,902</u>
Cash balances end of year	<u>\$ 461,461</u>	<u>275,541</u>	<u>778,282</u>	<u>1,515,284</u>
Cash Basis Fund Balances				
Unrestricted	<u>\$ 461,461</u>	<u>275,541</u>	<u>778,282</u>	<u>1,515,284</u>

See notes to financial statements

City of Woodbine

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woodbine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Woodbine (the primary government) and its component units. The financial statements do not include financial data for the Woodbine Municipal Light and Power, a legally separate entity which should be reported as a discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

Pursuant to Chapter 501B of the Code of Iowa, Woodbine Fire and Rescue (Association) is an unincorporated nonprofit association. The Association exists to protect human life and property through fighting fires and providing community education in fire prevention and first aid/safety practices. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria, the Association is legally separate from the City, but is so intertwined with the City it is in substance the same as the City. The Association is reported as part of the City and blended as a Special Revenue Fund of the City.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies – Continued

Excluded Component Unit

The Woodbine Municipal Light and Power was established under Chapter 388 of the Code of Iowa to operate the City's electricity utility. The Municipal Utility is governed by a three member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utility meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utility were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from Woodbine Municipal Light and Power, Woodbine, Iowa.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Woodbine Fire and Rescue Fund is used to account for the receipts of the blended component unit used for fire protection.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Woodbine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in public safety and general government functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2013, to compute the amounts which became liens on property on July 1, 2014. These taxes were due and payable in two installments on September 30, 2014 and March 31, 2015, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$2,906,134.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (2) Cash and Pooled Investments - Continued

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Receivable

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$ 42,447
Amounts financed	6,050
Payments received	<u>(18,689)</u>
Ending balance	\$ <u>29,808</u>

NOTE (4) Bonds and Notes Payable

Annual debt service requirements to maturity of long term debt is as follows:

Year Ending June 30,	General Obligation Notes		Fire Equipment Note	
	Principal	Interest	Principal	Interest
2016	\$ 145,000	22,930	\$ 8,460	1,033
2017	150,000	21,480	8,274	1,218
2018	150,000	19,980	8,564	929
2019	150,000	18,105	8,864	629
2020	150,000	15,930	9,108	319
2021-2024	<u>640,000</u>	<u>34,914</u>	<u>-</u>	<u>-</u>
	\$ <u>1,385,000</u>	<u>133,339</u>	\$ <u>43,270</u>	<u>4,128</u>

Interest costs paid during the year ended June 30, 2015 totaled \$24,189.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,200,000 which was not exceeded during the year ended June 30, 2015.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan - Continued

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$37,222.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$157,476. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0039676 percent, which was a decrease of 0.0005044 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$16,791, \$10,316 and \$103,853 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (5) Pension Plan - Continued

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 386,064	\$ 157,476	\$ (35,384)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2015, primarily relating to the General Fund, is \$16,501. This liability is computed based on rates of pay as of June 30, 2015.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Road Use Tax	\$ 135,000
	Urban Renewal Tax Increment	164,252
	Woodbine Fire and Rescue	140,000
	Employee Benefits	82,000
	Local Option Sales Tax	<u>83,000</u>
		<u>\$ 604,252</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

NOTE (8) Risk Management

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Woodbine
Notes to Financial Statements
June 30, 2015

NOTE (9) Urban Renewal Tax Increment Financing Development Agreements

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$10,830 during the year.

Woodbine Industrial Park Urban Renewal Plan

In January 2012, the City amended the urban renewal plan that was established for economic development of the Industrial Park by deleting the expiration date. The urban renewal plan shall remain in effect until repealed by the City Council. During the year ended June 30, 2015, the City repaid the General Fund \$164,252 with a transfer from the Urban Renewal Tax Increment Fund for costs that had been incurred and certified as an internal borrowing.

Woodbine Bus Brown Drive Urban Renewal Area

In July 2012, the City entered into a development agreement with Woodbine Manufacturing. The City agreed to pay tax increment payments not exceeding \$800,000. During the year the City paid the developer \$30,915.

Woodbine 410 Walker Urban Renewal Area

The City has entered into various development agreements totaling \$377,866. The developers agreed to undertake the redevelopment and renovation of historical buildings. The City agreed to provide tax increment payments to reimburse the costs. The City paid the developers \$16,439 during the year.

NOTE (10) Commitments

The City has engineer contract commitments totaling \$45,380 for street improvement projects and a water system study.

Other Information

City of Woodbine
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts Original	Budget To Total Variance
Receipts						
Property tax	\$ 618,247	-	-	618,247	614,463	3,784
Tax increment financing collections	186,087	-	-	186,087	125,000	61,087
Other city tax	96,081	-	-	96,081	90,000	6,081
Licenses and permits	3,300	-	-	3,300	3,750	(450)
Use of money and property	4,377	6,775	106	11,046	4,500	6,546
Intergovernmental	189,126	-	26,339	162,787	145,000	17,787
Charges for service	183,815	899,379	121,541	961,653	800,000	161,653
Miscellaneous	70,293	35,331	17,520	88,104	75,000	13,104
Total receipts	1,351,326	941,485	165,506	2,127,305	1,857,713	269,592
Disbursements						
Public safety	464,268	-	130,903	333,365	289,500	(43,865)
Public works	370,505	-	-	370,505	374,000	3,495
Culture and recreation	160,991	-	-	160,991	190,270	29,279
Community and economic development	80,706	-	-	80,706	125,000	44,294
General government	188,910	-	-	188,910	186,700	(2,210)
Debt service	169,372	-	-	169,372	170,000	628
Capital projects	-	-	-	-	75,000	75,000
Business type activities	-	740,103	-	740,103	848,000	107,897
Total disbursements	1,434,752	740,103	130,903	2,043,952	2,258,470	214,518
Excess (deficiency) of receipts over (under) disbursements	(83,426)	201,382	34,603	83,353	(400,757)	484,110
Other financing sources, net	46,973	-	(96,730)	143,703	-	143,703
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(36,453)	201,382	(62,127)	227,056	(400,757)	627,813
Balances beginning of year	1,427,303	1,313,902	91,136	2,650,069	2,444,008	206,061
Balances end of year	\$ 1,390,850	1,515,284	29,009	2,877,125	2,043,251	833,874

See accompanying independent auditor's report

City of Woodbine
Notes to Other Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety and general government functions.

City of Woodbine
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
(In Thousands)
Other Information
Year ended June 30, 2015

City's proportion of the net pension liability		0.003968%
City's proportionate share of the net pension liability	\$	157
City's covered-employee payroll	\$	432
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		36.34%
Plan fiduciary net position as a percentage of the total pension liability		87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Woodbine
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Seven Fiscal Years
(In Thousands)
Other Information

	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$ 37	40	36	31	28	25	25
Contributions in relation to the statutorily required contribution	37	40	36	31	28	25	25
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
City's covered-employee payroll	\$ 400	432	393	368	350	340	360
Contributions as a percentage of covered-employee payroll	9.30%	9.39%	9.14%	8.57%	7.92%	7.34%	7.02%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditors' report

City of Woodbine
Notes to Other Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Woodbine
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

	Special Revenue		
	Employee	Local Option Sales Tax	Total
	Benefits		
Receipts			
Property tax	\$ 81,572	-	81,572
Other city tax	-	90,478	90,478
Total receipts	81,572	90,478	172,050
Disbursements:			
Operating:			
None	-	-	-
Excess of receipts over disbursements	81,572	90,478	172,050
Other financing uses:			
Operating transfers out	(82,000)	(83,000)	(165,000)
Net change in cash balances	(428)	7,478	7,050
Cash balances beginning of year	734	7,201	7,935
Cash balances end of year	\$ 306	14,679	14,985
Cash Basis Fund Balances			
Restricted for other purposes	\$ 306	14,679	14,985

See accompanying independent auditor's report

City of Woodbine
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds:									
Corporate purpose and refunding	Jun 8, 2012	1.00-2.25%	1,790,000 \$	1,530,000	-	145,000	1,385,000	23,873	-
Note payable - fire equipment	Dec 9, 2014	3.50%	43,270 \$	-	43,270	-	43,270	-	-
Lease purchase	Oct 31, 2012	6.50%	23,780 \$	8,115	-	8,115	-	316	-

See accompanying independent auditor's report

City of Woodbine
Bond Maturities
June 30, 2015

Year Ending June 30,	General Obligation Bonds	
	Corporate Purpose and Refunding	
	Issued Jun 8, 2012	
	Interest Rates	Amount
2016	1.00%	145,000
2017	1.00%	150,000
2018	1.25%	150,000
2019	1.45%	150,000
2020	1.65%	150,000
2021	1.95%	155,000
2022	1.95%	160,000
2023	2.25%	160,000
2024	2.25%	165,000
		<u>\$ 1,385,000</u>

See accompanying independent auditor's report.

City of Woodbine



Diane McGrain, CPA
Jim Menard, CPA

December 2, 2015

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit Performed
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2015. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Woodbine Municipal Light and Power.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Woodbine's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Woodbine's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

Continued...

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City of Woodbine
Independent Auditor's Report on
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-15 through I-C-15 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine's Responses to the Findings

City of Woodbine's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Woodbine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schuber & Associates, PC

City of Woodbine
Schedule of Findings
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over cash receipts listing, depositing, posting and reconciling.

One person has control over depositing, check writing, posting, and reconciling for the Library.

One person has control over depositing, check writing, posting, and reconciling for Woodbine Fire and Rescue.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City, the Library and Woodbine Fire and Rescue should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response acknowledged.

I-B-15 Financial Reporting

Comment – During the audit, we identified general obligation debt service tax misposted to the General Fund rather than the Debt Service Fund. We also noted a cashed certificate of deposit reported as income. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure debt service payments and transfers between investment and bank accounts are properly recorded in the City's financial statements.

Response – We will review our account numbers for proper posting.

Conclusion – Response accepted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements (Continued):

INTERNAL CONTROL DEFICIENCIES - (Continued)

I-C-15 Separate Board

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The library board does submit quarterly financial reports to the city. This triggers the City to make the quarterly payment to the library. We will consider recording the transactions in the Clerk's records.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting:

II-A-15 Certified Budget

Comment – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-15 Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-15 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However, we noted that some of the claims reported as approved by the Council in the publication of the minutes were not included in the minute book.

Recommendation - The City should establish procedures to insure all claims approved are included both places.

Response – We will do this.

Conclusion – Response accepted.

II-G-15 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-15 Revenue Bonds and Notes

The City does not have revenue debt.

City of Woodbine
Schedule of Findings
Year Ended June 30, 2015

Part II: Other Findings Related to Statutory Reporting (continued):

II-I-15 Excess Balance

Comment – The balances in the Enterprise Funds – Water, Sewer and Gas at June 30, 2015 were in excess of each fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs and potential system issues.

Conclusion – Response accepted.

II-J-15 Annual Urban Renewal Report

Comment – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1. However, we noted the beginning debt was understated by \$25,311, and the ending TIF fund balance was overstated by \$19,231 due to timing of payments from the County Auditor.

Recommendation – The City should reconcile the report with the City's records at June 30th each year.

Response – We will do this.

Conclusion – Response accepted.

II-K-15 Health Insurance

Comment – We noted payments made to Library employees for health insurance reimbursements. This is not allowed under the provisions of the Affordable Health Care Act.

Recommendation – This would qualify as an exemption to any penalties through June 30, 2015. However, this needs to be corrected before year end.

Response – We will consider the allowable alternatives.

Conclusion – Response accepted.